(See appendix table 6-21.) Computer software firms received the most seed money from 1996 to 1998 before relinquishing the top position to Internet companies in 1999 and 2000. Investments in Internet companies represented 60.8 percent of all seed money from venture capital funds in 1999 and 43.7 percent in 2000.

Communications firms gained favor with forward-looking venture capitalists in 2000, attracting 26.2 percent of all seed-stage investments disbursed by venture capital funds that year, up from just 5.0 percent in 1999. The shares of venture capital seed money going to computer software companies fell to 11.3 percent in 1999 and to 10.5 percent in 2000.

With more than 80 percent of seed money going to either Internet, communications, or computer software companies, seed money for companies involved in other technologies declined. Biotechnology, which in 1998 received 11.9 percent of the venture capital disbursed as seed money, saw its share drop to 6.3 percent in 1999 and 0.9 percent in 2000. Medical and health-related firms fared better than biotechnology firms, yet they saw their share drop from 20 percent in both 1997 and 1998 to 6.9 percent in 1999 and 2.9 percent in 2000.

Chapter Summary: Assessment of U.S. Technological Competitiveness

Based on various indicators of technology development and market competitiveness, the United States continues to lead, or to be among the leaders, in all major technology areas. Advances in information technologies (i.e., computers and telecommunications products) continue to influence new technology development and dominate technical exchanges between the United States and its trading partners.

Although economic problems continue to hamper further progress, Asia's status as both a consumer and developer of high-technology products is enhanced by the development taking place in many Asian economies, particularly Taiwan and South Korea. Several smaller European countries also exhibit growing capacities to develop new technologies and to compete in global markets.

The current position of the United States as the world's leading producer of high-technology products reflects its success in both supplying a large domestic market and serving foreign markets. This success in the international marketplace may be the result of a combination of factors: the nation's long commitment to investments in S&T; the scale effects derived from serving a large, demanding domestic market; and the U.S. market's openness to foreign competition. In the years ahead, these same market dynamics may also benefit a more unified Europe and Latin America and a rapidly developing Asia and complement their investments in S&T.

Beyond these challenges, the rapid technological development taking place around the world also offers new opportunities for the U.S. S&T enterprise. For U.S. businesses, rising exports of high-technology products and services to Asia, Europe, and Latin America are already apparent and should grow in the years ahead. The same conditions that create new business opportunities—the growing global technological capacity and the relaxation of restrictions on international business—can also create new research opportunities. The well-funded institutes and technology-oriented universities that are being established in many technologically emerging areas of the world will advance scientific and technological knowledge and lead to new collaborations between U.S. and foreign researchers.

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